

# House Study Bill 687 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SANDS)

## A BILL FOR

1 An Act relating to the assessment of certain housing rented or  
2 leased to low-income individuals and families and including  
3 applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 426C.4, subsection 1, paragraph b,  
2 subparagraph (1), Code 2014, is amended to read as follows:

3 (1) Property that is rented or leased to low-income  
4 individuals and families as authorized by section 42 of the  
5 Internal Revenue Code, as amended, ~~and that is subject to~~  
6 ~~assessment procedures relating to section 42 property under~~  
7 ~~section 441.21, subsection 2, for the applicable assessment~~  
8 ~~year.~~

9 Sec. 2. Section 441.21, subsection 2, Code 2014, is amended  
10 to read as follows:

11 2. In the event market value of the property being assessed  
12 cannot be readily established in the foregoing manner, then  
13 the assessor may determine the value of the property using  
14 the other uniform and recognized appraisal methods including  
15 its productive and earning capacity, if any, industrial  
16 conditions, its cost, physical and functional depreciation  
17 and obsolescence and replacement cost, and all other factors  
18 which would assist in determining the fair and reasonable  
19 market value of the property but the actual value shall not  
20 be determined by use of only one such factor. The following  
21 shall not be taken into consideration: Special value or use  
22 value of the property to its present owner, and the goodwill or  
23 value of a business which uses the property as distinguished  
24 from the value of the property as property. However, in  
25 assessing property that is rented or leased to low-income  
26 individuals and families as authorized by section 42 of the  
27 Internal Revenue Code, as amended, and which section limits  
28 the amount that the individual or family pays for the rental  
29 or lease of units in the property, the assessor shall, unless  
30 the owner elects to withdraw the property from the assessment  
31 procedures for section 42 property, use the productive and  
32 earning capacity from the actual rents received as a method of  
33 appraisal and shall take into account the extent to which that  
34 use and limitation reduces the market value of the property.  
35 The assessor shall not consider any tax credit equity or other

1 subsidized financing as income provided to the property in  
2 determining the assessed value. The property owner shall  
3 notify the assessor when property is withdrawn from section 42  
4 eligibility under the Internal Revenue Code or if the owner  
5 elects to withdraw the property from the assessment procedures  
6 for section 42 property under this subsection. The property  
7 shall not be subject to section 42 assessment procedures  
8 for the assessment year for which section 42 eligibility is  
9 withdrawn or an election is made. This notification must  
10 be provided to the assessor no later than March 1 of the  
11 assessment year or the owner will be subject to a penalty of  
12 five hundred dollars for that assessment year. The penalty  
13 shall be collected at the same time and in the same manner  
14 as regular property taxes. An election to withdraw from the  
15 assessment procedures for section 42 property is irrevocable  
16 for as long as the property is owned by the owner who made the  
17 election. Upon adoption of uniform rules by the department  
18 of revenue or succeeding authority covering assessments and  
19 valuations of such properties, the valuation on such properties  
20 shall be determined in accordance with such rules and in  
21 accordance with forms and guidelines contained in the real  
22 property appraisal manual prepared by the department as updated  
23 from time to time for assessment purposes to assure uniformity,  
24 but such rules, forms, and guidelines shall not be inconsistent  
25 with or change the foregoing means of determining the actual,  
26 market, taxable and assessed values.

27 Sec. 3. APPLICABILITY. This Act applies to assessment years  
28 beginning on or after January 1, 2015.

29 EXPLANATION

30 The inclusion of this explanation does not constitute agreement with  
31 the explanation's substance by the members of the general assembly.

32 Current Code section 441.21(2) provides that in assessing  
33 property that is rented or leased to low-income individuals  
34 and families as authorized by section 42 of the Internal  
35 Revenue Code, the assessor shall use the productive and

1 earning capacity from the actual rents received as a method of  
2 appraisal and shall take into account the extent to which that  
3 use and limitation reduces the market value of the property.  
4 Code section 441.21 also provides that the assessor shall not  
5 consider any tax credit equity or other subsidized financing  
6 as income provided to the property in determining the assessed  
7 value. Under current law, such property is no longer subject  
8 to the section 42 assessment procedures when the property is no  
9 longer eligible under section 42 of the Internal Revenue Code  
10 and notice is provided to the assessor.

11 This bill allows a section 42 property owner to elect to  
12 withdraw the eligible property from the section 42 assessment  
13 procedures by filing a notice with the assessor no later than  
14 March 1 of the assessment year. An election to withdraw  
15 from the assessment procedures for section 42 property is  
16 irrevocable for as long as the property is owned by the owner  
17 who made the election.

18 The bill applies to property tax assessment years beginning  
19 on or after January 1, 2015.